

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 INT-05 FPC-01 FEA-01 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 H-02

INR-07 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PRS-01 PA-01

/094 R

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R 212004Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

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E.O. 11652: GDS

TAGS: ENRG

SUBJECT: US TIMETABLE FOR MACKENZIE VALLEY GAS PIPELINE

REF: OTTAWA 8692

1. PRECISE TIMETABLE OF CONGRESSIONAL ACTIONS AFFECTING  
CONSIDERATION OF MACKENZIE VALLEY PIPELINE IS DIFFICULT  
TO ESTIMATE. SEVERAL BILLS HAVE BEEN INTRODUCED IN  
BOTH SENATE AND HOUSE TO PROVIDE LEGISLATIVE DETERMINATION  
OF PIPELINE ROUTE OR TO EXPEDITE AND STREAMLINE REGULATORY  
AGENCY PROCEDURES FOR DETERMINING PIPELINE ROUTE.

2. SENATOR STEVENS OF ALASKA HAS PROPOSED (S. 2778)

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THAT CONGRESS REQUIRE ANY DELIVERY SYSTEM FOR PRUDHOE

BAY NATURAL GAS TO CONSIST SOLELY OF A PIPELINE WITHIN THE STATE OF ALASKA. SENATOR HOLLINGS (FOR SENATOR GRAVEL OF ALASKA) HAS INTRODUCED A BILL (S. 2310) TO ESTABLISH A TIME LIMIT FOR FPC CERTIFICATION OF ROUTE (ORIGINALLY JUNE 30 LATER AMENDED TO DECEMBER 1), LIMIT JUDICIAL REVIEW OF THE ACT ITSELF AND STEAMLINE COMPLIANCE WITH THE NATIONAL ENVIRONMENTAL POLICY ACT OF 1969. SENATOR MONDALE OF MINNESTOA HAS INTRODUCED LEGISLATION IN THE SENATE WHICH DUPLICATES A BILL INTRODUCED BY CONGRESSMAN PHILIP RUPPE OF MICHIGAN (H.R. 11273) THE RUPPE-MONDALE LEGISLATION WOULD REQUIRE THE FEDERAL POWER COMMISSION (FPC) TO APPROVE THE CANADIAN ARCTIC

GAS PROJECT FOR A TRANS-CANADA PIPELINE AND LIMIT JUDICIAL REVIEW. IT IS UNCERTAIN WHETHER ANY BILL WILL PASS DURING THIS SHORT SESSION OF CONGRESS. BOTH ROUTES HAVE SUPPORTERS IN CONGRESS, MAINLY ON A REGIONAL BASIS, BUT NO CLEAR ESTIMATE OF THE RELATIVE STRENGTH OF THE TWO CAMPS CAN BE MADE AT THIS TIME ALTHOUGH MONDALE BILL HAD 28 CO-SPONSORS AT LAST COUNT INCLUDING MANSFIELD, HUMPHREY AND SCOTT.

3. THE ADMINISTRATION IS CONSIDERING NEED FOR LEGISLATION WHICH WOULD ESTABLISH A TIME LIMIT FOR REGULATORY AGENCY DECISION AND LIMIT JUDICIAL REVIEW AND LITIGATION FOR ENVIRONMENTAL REASONS. NO DECISION HAS BEEN MADE ON SUCH LEGISLATION AT THIS TIME.

4. CONGRESSIONAL HEARINGS: JOHN MELCHER, MONTANA, CHAIRMAN OF PUBLIC LANDS SUBCOMMITTEE OF HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS HELD HEARINGS ON DELIVERY SYSTEMS FOR ALASKAN NATURAL GAS ON OCTOBER 9, 1975. STATE, FPC, FEA AND INTERIOR WITNESSESS TESTIFIED. SENATE COMMERCE AND INTERIOR AND INSULAR AFFAIRS COMMITTEES HELD JOINT OVERSIGHT HEARINGS ON FEBRUARY 17 ON THE ISSUE OF DELIVERY SYSTEMS FOR ALASKAN NATURAL GAS. STATE FEA, FPC, INTERIOR, TREASURY AND TRANSPORTATION TESTIFIED AND RESPONDED IN WRITING TO A DETAILED QUESTIONNAIRE. (SUMMARY OF FEBRUARY 17 HEARING BEING CABLED SEPARATELY PER EMBASSY REQUEST. AGENCIES' STATEMENTS AND RESPONSES CONFIDENTIAL

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TO SENATE QUESTIONNAIRE POUCHED.)

5. REGULATORY PROCEEDINGS-FEDERAL POWER COMMISSION: THE DIRECT CASES OF ARCTIC GAS AND EL PASO ALASKA HAVE BEEN COMPLETED AND WILL BE FOLLOWED BY ANSWERING AND REBUTTAL TESTIMONY. AT MELCHER HEARINGS, COMMISSIONER DON SMITH INDICATED FPC HEARINGS ON THE ENVIRONMENTAL IMPACT OF EACH PROJECT WOULD CONCLUDE THE HEARING PHASE

OF THE FPC PROCEEDINGS AND THE RECORD WOULD BE CLOSED IN APRIL 1976. SMITH SAID A FINAL DECISION BY THE COMMISSION COULD BE EXPECTED BY DECEMBER 1, 1976.

6. IN FPC STAFF'S OPINION, NEITHER OF THE PENDING APPLICATIONS CAN BE PERFECTED AS TO FINAL DESIGN, COST AND ECONOMICS OF DELIVERY FOR ALASKAN GAS SUPPLIES WITHOUT SOME INDICATION OF THE FINAL TERMS OF NATURAL GAS SALE. AT PRESENT, THERE ARE NO FINAL SALES CONTRACTS. NATURAL GAS CONTRACTS AWAIT DECISION BY THE STATE OF ALASKA ON THE UNITIZATION PROGRAM FOR THE PRUDHOE BAY OIL FIELD. IF SALES INFORMATION CAN BE SUPPLIED EXPEDITIOUSLY OR IF THE FPC DECIDES TO ACT WITHOUT THIS DATA, PERHAPS ISSUING A "CONDITIONAL" CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY, THE HEARINGS COULD BE CONCLUDED SOME TIME IN APRIL AFTER ANSWERING AND REBUTTAL TESTIMONY TO THE FPC STAFF'S FINAL ENVIRONMENTAL IMPACT STATEMENT. THE MATTER COULD THEN PROCEED TO BRIEFING AND ACTION ON THE PART OF THE ADMINISTRATIVE LAW JUDGE HEARING THE CASE WHO WOULD MAKE AN INITIAL DECISION AROUND SEPTEMBER 1. THE ADMINISTRATIVE LAW JUDGE'S DECISION WOULD BE FORWARDED TO THE COMMISSION.

7. FPC CHAIRMAN RICHARD DUNHAM REITERATED IN HIS FEBRUARY 17 SENATE TESTIMONY THAT A COMMISSION DECISION COULD BE FORTHCOMING BY DECEMBER 1, 1976. HOWEVER, HE CAUTIONED THAT TIMING OF A FINAL DECISION WOULD DEPEND TO A LARGE EXTENT ON WHETHER THE COMMISSION DECIDES TO CONDITIONALLY APPROVE AN APPLICATION IN THE ABSENCE OF GAS SALES CONTRACTS.

8. A FINAL DECISION BY DECEMBER 1 WOULD BY NO MEANS END THE MATTER. REGARDLESS OF THE FPC'S CHOICE, THE

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REJECTED APPLICANT IS LIKELY TO LITIGATE AS ARE ENVIRONMENTAL GROUPS THAT MAY BE DISSATISFIED WITH THE FPC'S DECISION. IF THE OIL PIPELINE EXPERIENCE IS ANY GUIDE-LINE, CONSTRUCTION START-UP COULD BE DELAYED FOR SEVERAL YEARS FOLLOWING A "FINAL" FPC DECISION. THIS FACTOR HAS LED THE ADMINISTRATION AND CONGRESS TO CONSIDER A LEGISLATIVE MANDATE LIMITING JUDICIAL REVIEW AND LITIGATION AS NOTED IN PARAGRAPH 3.

9. OTHER REGULATORY ACTIVITY: IN ADDITION TO FPC CERTIFICATION, THE SUCCESSFUL APPLICANT REQUIRES A PERMIT FROM THE SECRETARY OF THE INTERIOR FOR RIGHT-OF-WAY ACROSS FEDERAL LANDS. ARCTIC GAS CONSORTIUM HAS APPLIED FOR THIS PERMIT AND THE EL PASO ALASKA COMPANY HAS NOT. IT IS NOT EXPECTED THAT PERMIT WILL BE ISSUED THIS YEAR.

TRANS-ALASKA PIPELINE AUTHORIZATION ACT ALSO MANDATES  
THAT INTERIOR FIND THAT A PIPELINE PROJECT CROSSING  
FEDERAL LANDS IS TECHNICALLY AND FINANCIALLY VIABLE.  
PRECISE HANDLING OF THIS AUTHORITY, WHICH APPEARS  
SOMEWHAT DUPLICATIVE OF FPC PROCESS, HAS NOT BEEN WORKED  
OUT.

10. CONCERNING EMBASSY COMMENT PARA 4 REFTEL, US SUGGESTED  
TO SENIOR LEVEL EXSTAFF AND EM&R OFFICIALS AT TIME OF  
PIPELINE TREATY AND OIL EXCHANGE DISCUSSIONS IN OTTAWA ON  
JUNE 19, 1975 THAT BOTH GOVERNMENTS COORDINATE THE PHASING  
AND TIMING OF MACKENZIE VALLEY PIPELINE DECISIONS TO  
FORESTALL PREMATURE FORECLOSURE OF THE JOINT PIPELINE  
OPTION FOR EITHER COUNTRY. THESE SUGGESTIONS WERE  
RECEIVED UNENTHUSIASTICALLY. CANADIAN OFFICIALS FELT  
COORDINATED ACTIONS MIGHT COMPLICATE THE DECISION PRO-  
CESS AND CREATE "VERY DELICATE POLITICAL PROBLEMS" IN  
CANADA. US RECEIVED INDICATIONS AT THAT TIME THAT NEB  
CERTIFICATION COULD BE SPEEDED UP IF THE CANADIAN  
GOVERNMENT SAW CLEAR NEED FOR URGENCY.

11. EMBASSY CORRECT IN ASSUMING CANADIAN GOVERNMENT  
FULLY AWARE OF US CONGRESSIONAL AND REGULATORY AGENCY  
ACTIONS THROUGH CANADIAN EMBASSY'S EFFORTS. DEPARTMENT  
CONCURS WITH EMBASSY ASSESSMENT (REFTEL) REGARDING LACK OF  
COMMUNICATION WITHIN GOC. HOWEVER, PMO'S VIEW OF  
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CANADIAN DECISION TIMETABLE WOULD BE INTERESTING AND PMO-  
EMBASSY CHANNEL FOR FURTHER COMMUNICATION ON DECISION  
PHASING COULD PROVE USEFUL IN FUTURE. EAGLEBURGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CONSTRUCTION, INTERGOVERNMENTAL COOPERATION, GAS PIPELINES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976STATE042770  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** WARILEY:MEP  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760066-0758  
**From:** STATE  
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**Legacy Key:** link1976/newtext/t19760226/aaaaawjs.tel  
**Line Count:** 204  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 OTTAWA 8692  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 APR 2004 by BoyleJA>; APPROVED <14 APR 2004 by GolinoFR>  
**Review Markings:**  

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** US TIMETABLE FOR MACKENZIE VALLEY GAS PIPELINE  
**TAGS:** ENRG, CA  
**To:** OTTAWA  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006